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**Implementing and Measuring the Effectiveness of**  
**Internal Marketing.**

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AND

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# **Implementing and Measuring the Effectiveness of Internal Marketing.**

*Despite over a decade of interest in internal marketing and the evolution of various approaches to its operationalisation, the potential benefits of an internal marketing campaign in improving the quality of service delivered to the customer have not been fully explored. This article focuses on the internal customer model of internal marketing, further developing the concept through a synthesis with service blueprinting (a method of representing the service delivery mechanism), to produce a new model of internal marketing, which can be readily applied to the service organisation. An exploratory investigation into the effect of applying this model of internal marketing to service quality is conducted. Changes in internal service quality are measured using a modification of the SERVQUAL model and external service quality is measured using the original SERVQUAL model. This exploratory study was undertaken in a medium sized UK service organisation, and found that service quality increased both internally and externally when this model of internal marketing was applied within the company.*

## **Biography**

Ian Lings is a teaching fellow and research member of the services marketing research group at Aston Business School. His research interests include the development of internal marketing orientations and the effect of such orientations on the firm. Prior to taking up his current lecturing and research position he held a commercial post managing the provision of services within a large multinational organisation.

Roger F. Brooks obtained his doctorate from, and is a visiting fellow at Aston Business School. His research interests lie within the field of service quality and relationship marketing.

## Introduction

Many developed countries have seen a dramatic increase in the importance of services to national economies (Burgess, 1995), and to the individual consumer (Lewis, 1995, Stuart et al, 1996). Industry and academe have responded by investing considerable resources in efforts to improve service quality (Stuart et al, 1996, Procopio and Fairfield-Sonn, 1996). The concept of internal marketing has arisen from these efforts (Gummesson, 1987) and has been discussed in the academic literature for more than a decade, (see for example Azzolini and Shillaber, 1993, Bak et al, 1994, Bhote 1991, Davis 1992, Foreman and Money 1995, George, 1990, Grönroos 1985, Gummesson, 1987, Harari 1991 and 1993, Harrell and Fors 1992, Piercy and Morgan 1990 and 1991, Piercy 1995). Despite this attention there is still confusion over the scope and nature of the subject, (Rafiq and Ahmed, 1993) although most authors agree that internal marketing *should* improve service quality (George 1990, Gummesson 1987, Berry and Parasuraman 1991, Grönroos 1985, Piercy 1995).

A review of the internal marketing literature identified that there has been little empirical research to assess the effect of internal marketing on service quality. See for example Richardson and Robinson (1986). There are two major deficiencies in this literature. These are exactly what to do to implement an internal marketing programme has not been explained and how to measure the effect of such an internal marketing programme has not been identified.

This article reports the conceptual development of a new model of internal marketing, based on a synthesis of two existing models: the internal customer model of internal marketing and services blueprinting. The internal customer model of internal marketing has its foundations in the TQM literature and is based on the philosophy that the next operation in the value chain is a customer of the previous one (Heskett et al, 1984). Services blueprinting (Shostack, 1981, 1984a, 1984b, 1985, 1987) is an established tool for portraying service processes as flowcharts of interrelated activities. It is used here, with some modifications, to

describe the service delivery operations of the value chain, the internal customers and suppliers within the value chain and those service processes which are critical to delivering quality service along the value chain.

The issue of service quality, and its measurement, have been extensively discussed in the literature (see for example Parasuraman et al 1985, 1994a, and 1994b, Cronin and Taylor 1994, Teas 1994, McDougall and Levesque 1994, Johnson et al 1995) and SERVQUAL (Parasuraman et al 1985) has emerged as one tool which can be used for this purpose. The tool has been extensively used and is easily modified to different service situations (Lam 1995, Nelson and Nelson 1995, Chaston 1994). A modified form of SERVQUAL is used in this study to provide a measure of both internal and external service quality and hence a measure of the effect of the internal marketing programme.

Section two of this article discusses further the theoretical background of the issues raised during this study and highlights areas where current literature does not appear to account for the implementation internal marketing or the measurement of its effect. A new model of internal marketing and a method of assessing its effect are proposed in section three.

Section four describes an exploratory test of this model and the results of the study are reported in section five. The implications and limitations of these results are discussed in section six and some directions for further study are proposed.

### **Theoretical Background**

In this section a study of the theories relating to services blueprinting, service quality measurement and the divergent approaches to internal marketing precedes a synthesis of these approaches developing a tool by which internal marketing can be operationalised and its effectiveness measured. Several approaches to internal marketing and service quality measurement are identified and those appropriate to this study are discussed in more detail.

### *internal marketing*

This review of the literature relating to internal marketing supports an earlier review (Rafiq and Ahmed, 1993) which indicates that some debate exists as to the nature and application of the subject. Many definitions of internal marketing are found within the literature of the past decade with some authors viewing internal marketing as either a concept, a philosophy or a management practice, (e.g. Grönroos 1985, George 1990 and Wilson 1991), as either relating to human resources management, (e.g. Berry and Parasuraman 1991, Van Haastrecht and Bekkers 1995 and George 1990), services marketing (e.g. Gummesson 1987 and Grönroos 1985), or change management, (Piercy 1995).

Various reviews of the literature have resulted in alternative classifications of internal marketing. Bekkers and Van Haastrecht (1993) suggest three approaches to internal marketing: hierarchical exchange process, internal supplies, exchange process organisation/employee. Foreman and Money (1995) classify internal marketing according to who the internal marketer is, and who the target of the marketing effort is.

The arguments presented in this paper are based upon the view that the internal market consists of groups communicating to other groups within the organisation and internal marketing is considered to be the process of creating market conditions within the organisation to ensure that internal customers wants and needs are met. (e.g. Bekkers and Van Haastrecht 1993). It is this relationships between internal customers and their internal suppliers that is the focus of the internal marketing effort.

Reynoso and Moores, (1996) have identified six common steps in internal marketing campaigns. These are;

*The creation of internal awareness.*

*The identification of internal customers and suppliers.*

*The identification of the expectations of the internal customers.*

*The communication of these expectations to internal suppliers in order to discuss their own capabilities and / or obstacles to meeting these requirements.*

*As a result of the previous point, internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required.*

*And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved. (Reynoso and Moores, 1996)*

The importance of communications as a motivational device within the internal marketing campaign has been identified by several authors. See for example Piercy and Morgan, 1990, 1991 and 1995; Rafiq and Ahmed, 1993; Bekkers and Van Haastrecht, 1993.) By identifying internal customer and suppliers as part of the internal marketing campaign, interactions between internal suppliers and customers can be identified and the communications associated with these interactions can be examined to identify possibilities for improvement. These may be the communications between departments in the value chain or those originating in the hierarchical structure of the organisation and directed at all employees.

Piercy and Morgan (1991) suggest that internal marketing programmes should be directed at chosen internal segments to complement the external marketing programme and that these segments are the functions played by groups of people. This relates closely to the concept of internal customers and suppliers, and is based on the premise that the internal environment of the organisation can be divided into distinct internal market segments with different wants and needs, a view supported within the literature, (see for example Piercy and Morgan 1990 and 1991, Piercy 1995, Harrell and Fors 1992, Trumbly and Arnold 1989, Burgetz 1991, Comm 1989).

Next operation as a customer, NOAC, (Denton 1990), is a natural progression from the identification of these internal market segments or groups within the organisation. NOAC is based on the idea that each group within the company should treat the recipients of their

output as an internal customer and striving to provide high quality outputs for them. (e.g. Lee and Billington 1992, Barrett 1994, Denton 1990, Bhote 1991, Lukas and Maignan 1996). In this way quality will be built into the service offering to the external customer.

This concept of the internal supplier and the internal customer can encompass all other definitions of internal marketing. For example if the reader takes the view that internal marketing is the design of better job products to meet the needs of employees (Berry and Parasuraman 1991), hence satisfying them and motivating them to better meet the needs of their customers, internal or external, then personnel or departmental managers are the internal suppliers (of jobs) and the employees are the internal customers. Similarly if we

view internal marketing to be the promotion of a strategy or plan (Piercy 1995), then the internal marketer is the person or department who wishes the plan to be implemented and uses marketing techniques to gain acceptance of the plan from the employees or departments involved, the internal customers.

The concept of the internal supplier and the internal customer is not without its critics. Harari (1991,1993) suggests that focusing on internal customers diverts attention away from the people who pay the bills i.e. the external customers, it fosters narrow vision and fiefdoms over staffed by people who are divorced from intimate knowledge of the external customers. Other criticisms regarding the operational consequences of the internal customer model are that it does not address internal processes and the elimination of unnecessary process steps; it only addresses continuous improvement and not breakthrough improvement; and it sets up a series of dominance-subservience relationships within the organisation, reinforcing insular thinking, particularly with people who don't come into contact with external customers (Guaspari, 1991).

A summary of the main concerns with the internal customer and supplier model at this stage indicates that:



The recognition of internal suppliers and their internal customers and the application of internal marketing to this relationship can be incestuous resulting in the loss of focus on the external market.

Formalising the internal customer structure can result in incremental rather than radical step change.

The internal customer model does not address process issues. It concentrates on improving the interaction between the internal supplier and customer. The parties involved are encouraged to examine how effective and efficient the interaction is. Internal suppliers are not encouraged to critically examine the processes which they perform in order to provide the service. Are these processes necessary or could production be achieved more efficiently and effectively by adopting a new process of production?

The internal customer model perpetuates sequential pass off activities where one department is dependant on the output of another department in order to provide an output to the next in the value chain. This sequential pass off of activities increases the time taken to serve the final customers as departments have to wait to be served by their internal suppliers, where a more multi-disciplinary approach could reduce this time.

The internal customer model fosters narrow vision and fiefdoms, with each department concentrating only on their immediate environment and ignoring the wider organisational and market picture.

The internal customer model sets up a series of dominance-subservience relationships within an organisation.

Despite these criticisms the concept of internal marketing has been accepted as a strategic weapon to help retain the firm's customers by delivering high quality services to them, (George, 1977; Berry 1980, 1981, 1983; Band, 1988). No evidence has been provided to

support the prediction that internal marketing can increase the quality of service provided to the external customers.

### *Service Quality*

The measurement of service quality has been extensively debated within the literature. See for example Parasuraman et al (1985, 1988, 1994a and 1994b), Cronin and Taylor (1994), Teas (1994), McDougall and Levesque (1994), Johnson et al (1995), Grönroos (1982), Lewis and Booms, (1983), Hooley (1993). The view that service quality can be assessed by comparing customers' expectations of the service prior to the service encounter and their perceptions of the actual service delivered (Parasuraman et al 1985), led to the development of the SERVQUAL tool for measuring the quality of services. This has been critiqued (Teas, 1994 and Cronin and Taylor, 1994) who suggest that perceptions of service quality alone need to be measured and expectations are unimportant. This view is also supported by Smith (1995) who reports that perceptions are as accurate in measuring service quality as the P - E score of the SERVQUAL scale. SERVQUAL has also been examined by Buttle (1996) who concluded that despite the serious concerns over the validity of the SERVQUAL scale it is still a useful tool for the operationalisation of service quality measurement. This supports an earlier view of the usefulness of the SERVQUAL dimensions as a list of the attributes of a service in for use in the first instance, reported by Rust and Zahorik (1993). Despite the concerns of the authors mentioned above, and others, SERVQUAL has been extensively adopted for measuring service quality and has been found to be acceptable for this purpose (Lam 1995, Pitt et al 1995, Nelson and Nelson, 1995).

Parasuraman et al (1988) have categorised the dimensions which are important in shaping the consumers expectations and perceptions of service as: tangibles, reliability, responsiveness, assurance and empathy. These form the basis of the SERVQUAL questionnaire, a 22 item scale, which can be used to assess the level of service quality which the consumer experiences. SERVQUAL measures the difference between consumers'

perceptions and expectations of a service. Most consumers expect a higher level of service than they receive so the SERVQUAL score for each dimension is usually negative, i.e. expectations > perceptions, however in cases where the service provider exceeds expectations the score will be positive. This is a case of service overkill. In most situations, when measured over all dimensions, expectations will be greater than perceptions and SERVQUAL will record a negative score.

Although generally used to measure the service quality delivered to the external customers, and despite the criticisms mentioned above and more specifically by Reynoso and Moores, (1996), SERVQUAL may also be an appropriate tool to measure the quality of service delivered by internal suppliers to their internal customers. The dimensions which are important to internal customers when evaluating the service quality may, however, differ from those which are important to the external customers.

The relationship between internal and external service quality has been discussed in previous literature. (Heskett et al, 1984, Magidson and Polcha 1992, Azzolini and Shillaber 1993, Hart 1995, Brooks and Smith 1993, Brooks 1992, 1993, 1995, and Davis 1992) who agree that better service to internal customers should result in better service to external customers. Heskett et al (1994) provide an example of this from industry. They suggest that a customer, when placing a telephone order, benefits from the organisation having identified internal customers and suppliers and recognising good internal service between them. This is manifest in the customers having orders processed in less time and not being passed between service operators unnecessarily. George (1990) states that these effective internal exchanges are a prerequisite for successful exchanges with the external market, a view which is restated by Pfau et al (1991) as *a lack of attention to internal supplier-customer relationships can jeopardise external customer satisfaction.*

### *Service Blueprinting*

This is a tool used to design service systems (Shostack and Kingman-Brundage 1981,

Shostack 1984a, 1984b, 1985, 1987). The technique portrays service processes as flowcharts of interrelated activities. The service delivery activities are prioritised into those which are customer visible and those which are not customer visible, these being separated diagrammatically by a line at the top of the diagram known as *the line of visibility*. The proportion of the service blueprint which lies above the line, and is customer visible, will vary from one service to another, depending on the amount of employee-customer contact required to deliver the service. For many firms the majority of the process will lie below the line and will be invisible to the customer.

Those processes which lie above the line of visibility represent interactions between the firm and the customer, and may take the form of telephone conversations, face to face interaction, letters and other forms of communication. These interactions form part of the customer's evaluation of the quality of the service provided (Parasuraman et al, 1985) and may take place at any location but usually either at the customers' or the service provider's location. The importance of these interactions between the service firm and its customers is well recognised within the services marketing literature. Such interactions are known as moments of truth, (Carlzon, 1987) who recognises that each interaction between the firm and its customers is an opportunity for the customer to evaluate the quality of the service that they are provided with.

Those processes which lie below the line of visibility represent the back office mechanisms required to deliver the service to the customer. These processes also have an important effect on the perceived quality of the service. If, for example, a computer system fails within a bank and customers are delayed in their transactions, the quality of the service which they perceive is likely to be less than if the back office operations were running well. Internal marketing will concentrate on these processes, which although invisible to the external customer are visible to the internal customer. It is a fair assumption that internal customers as defined by Piercy and Morgan (1990) will comprise of a cluster of processes and, like the external customer they will experience some of the processes of their internal

suppliers and influence some of the processes of their internal customers.

Fail points, such as bottlenecks, duplication of effort and other processes in the service delivery mechanism which are likely to go wrong, can be either internal and invisible to the customer or external and customer visible. In both cases blueprinting can be used to identify these and will indicate where remedial action is necessary. This article suggests that where fail points occur within internal groups they should be remedied by those groups.

Later research into service blueprinting, (George and Gibson 1991), has shown how it is possible to modify the service blueprint to include distinctions in the representation of customer visible processes to account for the different customer groups of the organisation. This has established services blueprinting as a tool for evaluating the process of service delivery which is comprehensive to all services and can provide a framework for evaluating different kinds of services within a diversified service firm.

### **Synthesis of Internal Marketing and Services Blueprinting.**

Fig 1 details the service blueprint in the form proposed by Shostack and Kingman Brundage (1981) and illustrates the concept of sequential activities in the process of service delivery. Those processes above the line of visibility, A-B, are visible to the external customer, and constitute primarily the interaction between the customer and the service delivery mechanism. For example, in the case of a bank customer, this could be a letter, a fax or telephone call or direct interaction between the customer and the bank employee who provides the service. It is these interactions which affect the customer's appraisal of the quality of service delivered, (Parasuraman et al, 1985)

Fig 1. The use of service blueprinting, identifying external customer visible processes.

Service quality is measured by the external customer based on the processes which they experience. Those service delivery processes which are above the line of visibility are the processes which the external customer uses to measure the service quality.

*Modification 1, identifying internal customer visible processes.*

Just as interactions between the supplying firm and the external customer are important in forming the customers' perceptions of service quality, so the interactions between the internal supplier and the internal customer will be important in developing the internal customer's perceptions of the service which they receive from their internal supplier. Such processes can be identified and isolated from other back office processes which do not affect internal customers' perceptions of service quality, such as filing, copying and generating reports.

Processes which are important in developing the internal customer's perceptions of the service which they receive from their internal supplier can be thought of as moments of truth in the internal market. they are back office processes, (telephone calls, memos reports and face to face interactions etc,) which the internal customer experiences but which remain unseen by the external customer.

A second line of visibility, C-D separates those processes which are used by the internal customer to measure the quality of service which they receive from other processes represented by the service blueprint. This is illustrated in Fig 2.

Representing the service blueprint in this way differentiates those processes which are of paramount importance to the external customer and they appear at the top of the diagram, separated from back office mechanisms by the line of visibility A-B. Those processes which are used by internal customers as cues to the quality of the service which they receive are separated from other back office processes by the line of visibility C-D and appear at the next level down from the top of the diagramme. Such a pictorial representation illustrates the

relative importance of these processes with those above the line A-B having a direct effect on the external customers' perception of service quality and those below the line A-B and above the line C-D have a direct affect on the internal customers' perception of service quality. Attention to these processes, improving internal service quality will build quality into the service which is offered to the external customer.

Fig 2. The use of service blueprinting, differentiating between internal and external customer visible processes.

*Modification 2: identifying internal groups.*

Clustering processes together according to which internal group performs them results in the more detailed service blueprint, illustrated in Fig 3. Here internal suppliers are clearly defined and are surrounded by a boundary. The interactions which they undertake with their internal customers and suppliers in the receipt and provision of internal services can be seen between the line of internal

visibility C-D and the line of external visibility A-B. The interactions with the external customer appear again above the line of visibility A-B. Fig 3. The use of service blueprinting, identifying internal groups, internal and external customer visible processes.

The revised service blueprint proposed above identifies two lines of customer visibility. The first line, A-B, separates the external customer visible processes as in the service blueprint model developed by Shostack and Kingman Brundage (1981). The second line, C-D, is a modification of this work and separates processes visible to the internal customer from those processes which are visible to the external customers and those back office processes which are not visible to either internal or external customers. This overcomes one of the criticisms of the internal customer model stated earlier in this paper. By differentiating between internal and external customer visible processes in this way employees can focus on

satisfying the internal customer whilst remaining aware of externally visible processes which are of paramount importance in satisfying the external customer. Attention is not diverted away from the external customer.

Processes have also be seen to be clustered together according to which internal groups perform them. The reasons for this are twofold.

Firstly, the responsibility for the remedy of any identified fail points within each internal group is obvious, overcoming the criticism that the internal customer model of internal marketing does not address process issues.

Secondly, the process point at which an internal exchange exists can be clearly identified.

Services blueprinting, as proposed above, relates to, and contains, information which is required for an internal marketing campaign as described by Reynoso and Moores (1996) and discussed earlier in this paper.

The interviewing process required to collect the information necessary to construct the service blueprint will create an awareness of the need to identify internal customers and suppliers and the interactions between them.

Internal customers and suppliers are identified and represented on the service blueprint.

The transaction points, where the internal supplier provides for the internal customer are also identified.

It is the expectations of the internal customer regarding these transactions which will affect their perceptions of the quality of the service provided by their internal suppliers.



Service quality can be measured at these transaction points between internal suppliers and customers and fed back to internal suppliers as expectations of their internal customers.

Internal suppliers can then examine their processes, detailed on the service blueprint, and amend them, if possible, so as to deliver the required service quality to the internal customer. In some instances it may not be possible for the internal supplier to remedy internal customer dissatisfaction by changing their processes alone and they may have to translate the expectations of their internal customer into their own expectations of their internal supplier further back in the supply chain.

Processes which are important to the external customer in formulating a judgement about the quality of service which they receive have also been identified.

#### *Aims of the Research*

The study described in this article is exploratory in nature and is designed to test this synthesis of the internal customer model of internal marketing with services blueprinting as a tool for enhancing the quality of service delivered by a company to its market.

The research will also test the proposition that the mechanism by which service quality can be improved is via improvements in internal service quality between internal suppliers and internal customers.

#### **Field Testing the revised service blueprint.**

The first stage of testing the effect of internal marketing on service quality was to test the suitability of the proposed service blueprinting technique as a foundation for implementing an internal marketing campaign as described by Reynoso and Moores (1996). Publicising the

service blueprint to all employees will have two benefits.

Every employee will have a better understanding of how they fit into the activities of the firm and how they can improve external customer satisfaction by serving their internal customers better.

Secondly the information that the revised service blueprint contains about internal service quality levels provides an incentive for employees to serve their internal customers better. No group within the organisation will be happy about being identified as the group which provides the lowest service quality of the whole company. Other incentives could include bonuses for the groups providing the best quality of service internally, however, peer pressure will probably be sufficient to ensure that all employees are aware and motivated to perform.

If the proposed services blueprinting technique is an appropriate tool for implementing internal marketing as discussed previously then the process of creating a process map of the service firm, identifying internal customers and suppliers and communicating information about the expectations

of internal customers to the internal suppliers should result in changes in internal service quality. Reynoso and Moores (1996). These improvements in internal service quality should in turn improve external service quality. Heskett et al (1984). The first stage of testing the proposition was to construct a service blueprint on which the internal customers and internal customer visible processes could be identified. This required a level of detailed knowledge of the subject organisation which precluded the use of survey data. A qualitative research method was chosen as appropriate in this situation. It was necessary to blueprint the service delivery systems of a complete organisation so that all of the internal customers could be identified and how they interact with each other. Once the points of exchange between internal customers were identified close observation of all of these exchange points was necessary to observe how the attitude to internal service quality changed as well as its direct measurement over periods of time. This would clearly not have been possible with the

application of questionnaires to a large sample of industry. These factors coupled with the aims of the research in establishing a specific conclusion relating to the applicability of the proposed services blueprinting technique in the implementation of internal marketing finally led to the use of a single case based methodology.

This method was chosen as it would be sufficient to test the applicability of the methodology in this situation. The case study can be considered to be an exploratory case study, (Yin 1993, 1994), and, like an experiment, does not represent a sample. The aim is not to enumerate frequencies but to identify inadequacies and weaknesses in the proposed conceptualisation of internal marketing. Theoretical propositions can be tested using large samples by the use of cross sectional designs (different organisations in different contexts ) at a later date, providing data to test the generalisability and reliability of the revised blueprinting technique

The single study holistic case based approach overcomes the problem of external factor correlation. It focuses upon the change processes within the broader social, political and economic context surrounding the organisation. The rigorous nature of the holistic approach did ensure that the concept to be examined was well understood within the context of the case.

The company chosen for the study operates in the telecommunications area providing a service of installation and maintenance of third party sourced telephony systems to the business sector. This company was chosen as it is involved primarily in service delivery activities and had expressed an interest in using the methodology described here to improve the quality of service provided to its customers.

Construct validity (establishing the correct operational measures for the concepts being studied) was tested by the use of multiple sources of evidence and asking key informants to review the findings of the research at several key stages. This data collection process is

detailed later. Internal

validity (whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships) was tested by explanation building, observation and one to one interviews.

Reliability was tested using case study protocol analysis, comparing this against other events analysed some time after the moment of truth had occurred. For example, external and internal service performance questionnaires were administered just after the interaction and then around two weeks later.

### *Constructing the service blueprint*

A modification of a technique described amongst others by Smith et al (1991) was used to collect the data required to construct the service blueprint.

The first stage of data collection aimed at identifying the processes of service delivery undertaken by each internal supplier within the company. The internal suppliers were identified as

- sales
- marketing
- sales co-ordination
- sales Order Processing
- Installation co-ordination
- installation engineering

This data concerning the processes which these internal suppliers undertake was collected by interviewing the functional managers responsible for each of these areas. The functional managers were chosen as the interview subjects as it was assumed that they would have sufficient knowledge of the processes involved within each of their functions for departmental service blueprints to be constructed. These departmental processes constitute

component sections of the whole service blueprint which can later be amalgamated to form the service blueprint of the entire organisation. Open ended qualitative interview questions were used to collect the information relating the process activities within the groups and the component sections of the service blueprint were constructed at the time of interview. The background to the service blueprint and what it represents was explained to the managers and they were asked to identify the work which the department undertook and explain this as a set of activities or processes which were then placed onto the service blueprint. When the processes were adequately represented on the service blueprint the subject was asked to identify where the work which they produced went to next in the company i.e. who their internal customers were. All interviews were conducted in a one to one environment to reduce the tendency of the subjects to discuss what should happen within their department rather than what actually happens.

#### *Building awareness.*

The component sections of the service blueprint were then presented to both managers and employees to ensure that the service blueprint was a true representation of the processes within their departments. Where the processes were identified as inaccurate at this stage the component blueprints were amended until all parties involved agreed on their content.

#### *Identifying internal customers and suppliers.*

The component service blueprints were then amalgamated to produce a service blueprint with internal suppliers, internal customers and the exchange points between them identified for the whole organisation. This was then further verified by all employees in the same manner as the component service blueprints.

The internal customer interactions examined were exclusively primary in nature i.e. the interactions only involved in the production process to meet external customer needs. All

internal groups will have interactions which are needed to deliver quality specifications to them or to support this process, and there will be other interactions in the company which exist on an infrequent or ad hoc basis such as one off company report preparation. These may involve internal groups which are formed only for this purpose and this research is not intended to cover these but only those which are stable and are derived from the process analysis (George and Gibson 1991).

### *Measuring Service Quality*

The ten dimensions of service quality which are important to the external customer, (Parasuraman et al, 1985) cannot be assumed to be the same as those which are important to the internal customer. The internal service quality dimensions, i.e. those derived at the point of internal customer interaction were established using a similar methodology to that used to construct the service blueprint. Despite the advantages of collecting data using focus groups, which are discussed by Stewart and Shamdasani (1990), and the fact that focus groups were used by Parasuraman et al (1985) when establishing the external service quality dimensions of SERVQUAL, they were not used to establish the internal service quality dimensions for 3 reasons.

The responses from members of the group are not independent of each other, which will restrict the generalisability of the results. (Stewart and Shamdasani, 1990)

In this case inter-functional groups could not be used as different internal customers may have different expectations and hence may identify different dimensions of service quality. It is important to know if the dimensions are common to all internal customer groups or if they differ between these internal customers.

The results obtained from the focus group may be biased by a very dominant or opinionated group member. (Stewart and Shamdasani, 1990). In this case strong interpersonal relationships will exist within the internal customer groups and these can affect the responses

of the interview subjects as they may act in roles determined by the hierarchical structure of the group and may provide responses which they

consider correct to their role and position within the group. Such responses may be biased by the respondents consideration of the views of the rest of the peer group, rather than volunteering their personal views of the important dimensions of service quality. These concerns relating to the use of focus group research where the participants have a common background and are acquainted are reflected by Smith (1972) and Payne (1976).

Internal customers, identified from the service blueprint, were asked to identify those aspects which they considered to be important when evaluating the quality of an internally supplied service, such as on time delivery of work, error free paperwork, etc. A full list is provided in Table 1. in the next section. The interviews were unprompted to avoid influencing the respondents and were conducted on a one to one basis at the workstations, all on the same day in an effort to minimise the possibility of interaction and prompting between respondents. The aspects which were identified as important to the internal customers were then used to form the dimensions of the internal service quality audit which was used to measure the internal service quality at the exchange points identified on the service blueprint.

#### *Identifying expectations of internal customers.*

The internal service quality audit involved surveying all employees with a SERVQUAL type questionnaire (Parasuraman et al 1985), which was constructed using the internal service quality dimensions identified from the interviews with internal customers.

External service quality was measured using the methodology described by Parasuraman et al (1985), based on their 10 dimensions of service quality.

*Communication of expectations to internal suppliers.*

The results of the service quality audit, both internal and external, were then represented on the service blueprint so that each internal exchange identified on the service blueprint had an associated service quality score, representing how well the internal supplier was satisfying the internal customer. The external service quality results were provided as a reference for all employees, reinforcing the message that it is the satisfaction of the external customer that is the ultimate goal of the exercise.

*Internal suppliers work to make necessary changes to deliver the level of service required.*

The service blueprint with the results of the service quality audit overlaid was discussed initially with the managers of the company who then discussed this with the employees. Areas where high levels of dissatisfaction were identified became the focus of management and employee attention.

*Measure and feedback results to internal suppliers.*

The service quality questionnaires were re-administered after 6 months to identify any changes in internal and external service quality arising from the internal marketing campaign.



## **Results.**

### *Stage 1: Building the service blueprint.*

This is the first stage of internal marketing campaign detailed earlier. It involved not only the collection of data to construct the service blueprint but also, in the act of interviewing employees to collect this data, building awareness of the internal marketing concept.

The first stage service blueprint was constructed using information from four functional managers corresponding to the main functions of the organisation, sales, sales support and administration, marketing and installation. At this stage the service blueprint looked similar to the blueprint shown in Fig. 1, with the processes identified and only those which were visible to the external customer differentiated. The managers and employers were asked to identify any weaknesses in the process of service delivery, such as potential bottlenecks, duplication and poor performance. Several weaknesses were identified across the whole blueprint, but in many cases the person or group responsible for remedying them was not clear. This is best exemplified by the quality of the sales orders that were being passed to the sales co-ordinator. The salesmen believed that it was the responsibility of the sales co-ordinator to ensure that the quality of the order was up to standard, improving it if not. It became clear that the salesforce did not understand their role as a supplier to an internal customer (the sales co-ordinator). This role was not clear as it was not yet overlaid on the existing service blueprint.

The managers were also asked at this stage if improvements were to be made, where they would make them. Suggestions for improvements at this stage were normally based upon efficiency measures first, such as removal of a paper based system or a new computer with the requisite software. None of the managers, who were all graduates of average age 35, identified the need to prioritise the improvements according to the effect on external customer satisfaction. None saw that in some cases they would be suppliers to and customers

of each other. An example of this is found in the marketing manager who did not believe that the marketing department served the sales department and should therefore be held accountable for the quality of sales leads resulting from external marketing campaigns. None of the managers realised or discussed the need for an internal service quality system which would bring about external service quality improvements. Again this was not evident on the existing service blueprint.

### *Stage 2: Identifying internal suppliers and customers*

Once the existing service blueprint was complete the next phase was to identify the clusters of processes for which each department or manager would be responsible and accountable. These were then surrounded by a boundary. Once these were then represented to the managers and employees, a step change in attitude was immediately observed. Each boundary of processes embodies a manager and employees. These people then became aware that the boundaries identified key exchange points between these groups. Several managers then understood what an internal customer was and which service delivery process problems should be addressed first to increase the flow and quality of work from internal supplier to internal customer. Interestingly, as a consequence of presenting the service blueprint in this manner the salesforce understood that the sales co-ordinator should be served as an internal customer and the responsibility for the quality of the sales orders should lie with them.

The complete service blueprint of the subject organisation showing internal customers and suppliers, exchange points and internal and external customer visible processes is given in Fig 4. below.

Fig 4 - Service blueprint identifying internal and external service quality exchanges.

### *Stage 3: Identifying the dimensions of internal service quality.*

The dimensions used by internal customers to measure the internal service quality are given in Table 1. They were found to be consistently identified by all of the internal customers and were also found to differ from those identified by Parasuraman et al (1985). Eight of the ten dimensions identified by Parasuraman et al (1985) were found to be important internally and two additional dimensions, proactive decision making and attention to detail were found to be important in the internal customers evaluation of the service received.

The tangibles dimension of service quality, identified as important to the external customer by Parasuraman et al (1985), was found to be not important to the internal customer when evaluating internal service quality. All respondents indicated that the physical representation of a colleague, their work and work surroundings, such as their desk, were not important, nor indeed an issue, for that individual to deliver high quality service to their internal customer. Reporting that tangibles were not a factor in deciding the quality of service which they received did not reflect the importance, if any, that employees place on their own work surroundings and appearance. For the purpose of this study tangibles were taken to relate to those physical elements which relate to the internal supplier, not those which relate to the internal customers' environment.

Security, another dimension important to the external customer was felt not to be important to the internal groups. Parasuraman et al, 1985 state that security, for the external customer, involves aspects of physical safety, financial security and confidentiality. Both physical safety and financial security did not arise as issues for internal customers and confidentiality was seen to be undesirable by internal customers. The consensus of all internal groups was that information concerning external service quality and for the contextual view that would help each internal groups to

perform better should be shared equally throughout the company so that it would enable them to perform their tasks properly.

Two new dimensions of service quality arose from the interviews asking internal customers how they assessed internal service quality. These were, proactive decision making and attention to detail.

Proactive decision making involves the internal service supplier having the ability to solve problems by controlling their environment. It relates to the management of the operations of the internal supplier so that the needs of the internal customer can be met. Proactive decision making differs from understanding the customer as it focuses on the internal suppliers' operational issues which affect the delivery of service to the specifications which are obtained through an understanding of the internal customers wants and needs.

Attention to detail involves the ability of the internal supplier to provide detailed information to the internal customer without making mistakes. It does not include a conceptual thought process but is the ability to work accurately. The dimension transcends the dimension of competence, acknowledged by the external customer as an important factor in service quality, as it requires not only the knowledge and skill of the internal supplier to be sufficient to the task, but also the reporting procedure to be adequate to provide the information required as an input to the internal customers' processes at levels of accuracy which are appropriate to the needs of the internal customer.

Dimension	Used by internal customers when evaluating internal service quality	Used by external customers when evaluating external service quality. Parasuraman et al (1985)
Tangibles	No	Yes
Reliability	Yes	Yes
Responsiveness	Yes	Yes
Communication	Yes	Yes
Credibility	Yes	Yes
Security	No	Yes
Competence	Yes	Yes
Courtesy	Yes	Yes
Understanding the customer	Yes	Yes
Access	Yes	Yes
Proactive decision making	Yes	No
Attention to Detail	Yes	No

Table 1 - Internal and external service quality dimensions

*Stage 4: Measuring the changes in internal and external service quality.*

The internal service quality was measured at the start of the study and then again six months later using Parasuraman et al's methodology (1985) modified to incorporate the identified dimensions of internal service quality. External service quality was measured using SERVQUAL (Parasuraman et al 1985) at the same times.

*Observations on Internal Service quality.*

The overall quality of the internal service (the average of all internal service quality dimensions and all internal customers) was found to increase over the time of the study, with all interactions between internal customers and their internal suppliers showing some improvement in measured internal service quality.

Of the individual dimensions of internal service quality, reliability showed the most notable improvement. Although all of the internal customers studied reported an improvement in overall service quality this effect was not uniform for all internal customer - supplier relationships. The largest improvement in service quality was observed in the interactions between the salesforce and the marketing department.

### *Observations on External Service quality.*

Over the period of the study the quality of the service experienced by the external customers was found to increase substantially.

## **Discussion, Limitations and Research Directions.**

### *Discussion*

This study has developed a new model for the operationalisation of internal marketing and the measurement of the effect of internal marketing on service quality. The first stage of testing this model was its application within a single company. The process of the organisation were studied to produce a service blueprint as described by Shostack and Kingman-Brundage (1981) and Shostack (1984a, 1984b, 1985, 1987). This represents the processes which are undertaken to provide a service to the organisations customers. The internal market of the company was segmented as suggested by Piercy and Morgan (1990) and the service blueprint was then rearranged to represent this internal market of suppliers and customers within the organisation. The transactions which occur between them were highlighted and the quality of service that internal suppliers deliver to the internal customers was measured using a modification of the method proposed by Parasuraman et al (1988). On the basis of the philosophy of next operation as a customer (Denton, 1990) this information was provided to the internal suppliers and used as internal market research to

develop plans to better meet the needs of their internal customers. As a result of this, and supporting the predictions of George, (1977); Berry (1980, 1981, 1983) and Band, (1988) it was found that the service quality between internal suppliers and their internal customers within the organisation increased substantially as did the quality of service to the external customer. It is not appropriate, from this study, to attribute the increases in the quality of service delivered to the external customers to the increases in service quality experienced by the internal customers. However, the study does indicate that the route to better service

quality for external customers may be to provide better service quality to the internal customer. Ongoing research into the nature and effect of internal marketing may, in time, establish the relationship between internal marketing and external service quality, establishing internal marketing as a prerequisite to external marketing success.

As no financial incentives were provided for groups to improve the quality of service which they provide to their internal customers, one possible reason for improvements to have results is the peer pressure which arises from having the full details of the service quality audit published, along with the service blueprint to all employees of the company. Such an approach makes it clear to all employees how well each internal supplier performs in comparison to others. Resolving problems of low service quality scores then becomes a priority for managers who do not wish to be publicly seen as not performing. The service blueprint provides managers with a detailed blueprint of their service delivery processes which can be examined to identify areas where improvement effort will yield the maximum change in the areas of weakness identified by the internal service quality audit.

By identifying external customer visible processes and external service quality measures on the service blueprint, the relationship between individual activities and external service quality become more transparent and all employees can better see how they can affect the quality of the service to the external customer. This may also provide an incentive to change working practices and adopt a more customer focused approach to work as employees can see that they make a difference and are important to the success of the company, rather than simply being told by management that they have an important role in the company.

The link between internal marketing, internal service quality and hence external service quality proposed by other authors in this field, see for example (Heskett et al, 1994, Magidson and Polcha 1992, Azzolini and Shillaber 1993, Hart 1995, Brooks and Smith 1993, Brooks 1992, 1993, 1995, and Davis 1992) is also supported by the result of this study.

Several criticisms of the internal customer model proposed by Harari (1991,1993) are overcome by the synthesis of this model with services blueprinting as developed in this article. It is not apparent from this study that using the internal customer model has distracted from employees focus on the external customer. In fact this study suggests that the recognition of internal suppliers and customers has led to better external service quality. The diagrammatic representation of both the internal customer visible processes and the external customer visible processes on the service blueprint of the organisation illustrates to employees that, although it is important to understand internal customer visible processes and to improve internal customer satisfaction, this is ultimately aimed at satisfying the external customer.

Harari (1991,1993) also suggests that by formalising the internal customer structure, incremental rather than radical step change will occur. Many authors have identified incremental change as an appropriate goal, (see for example Imai, 1986). Although there is no evidence presented here that internal marketing can effect radical step change, some incremental change has been achieved.

The synthesis of internal marketing and services blueprinting also overcomes some of the other criticisms of the internal customer model. Guaspari (1991) suggests that the internal customer model of internal marketing does not address process issues. This does not apply to this model of internal marketing which is based on process steps. This model also inhibits the sequential pass off activities which Guaspari (1991) suggests is a weakness of the original internal customer model. It was found that the consequences of passing work or responsibility to the next group or person in the process chain can easily be tracked to the paying customer at the end of the process, similarly the consequences of improved internal customer satisfaction can similarly be visualised.

The comprehensive nature of the service blueprint, which represents all of the internal groups as suppliers and customers of each other also reduces the tendency of the groups to



form narrow vision and fiefdoms. Each group is aware of exactly how they interact with the other groups within the company in producing a quality service for the external customer and if anything this has broadened the vision of these groups, not restricted it as suggested by Harari (1991).

The criticism that the internal customer model sets up a series of dominance-subservience relationships within an organisation (Guaspari, 1991) is not so easily addressed by this concept of internal marketing.

Some other implications which arise from this research are that internal marketing, although management driven, involves active participation of all employees both in the initial stages of data collection to establish the need for and scope of the internal marketing programme, blueprinting the activities of the various groups within the organisation and identifying internal customers, internal products and services and internal supply routes, and in the longer term where the effect on external customer satisfaction is measured and related to individual and groups contributions to internal service quality.

Service blueprinting is an iterative process reflecting both the inherently dynamic nature of processes in many organisations and the fact that processes will change as internal suppliers strive to better meet the needs of their internal customers.

The model developed in this article was well received by employees at all levels of the organisation. Its main strengths as a tool for communicating the need for internal marketing lie in the fact that it provides a clear, diagrammatic representation of how each individual and group can make an effective contribution to the quality of service experienced by a customer with whom they may never have direct contact. When combined with the internal and external service quality scores the service blueprint also clearly demonstrated how well internal suppliers were meeting the needs of their internal customers and where the greatest divergence from the ideal existed. This provided a simple reference for all employees to

identify where the most effort was required to combat the poor internal service situation.

The SERVQUAL tool (Parasuraman et al, 1988), which has been successfully modified for application to many different situations, see for example (Lam 1995, Pitt et al 1995, Nelson and Nelson, 1995) has been shown in this case to be useful in measuring internal service quality. Those dimensions of service quality previously identified as being important to customers, (Parasuraman et al 1988) were found to be different to those dimensions of service quality which were important to employees.

### *Limitations*

As mentioned in the discussion of the background to internal marketing there are several approaches to the topic. This study has concentrated on, and further developed, the internal customer model of internal marketing as discussed by Bekkers and Van Haastrecht (1993). Other approaches to internal marketing such as that proposed by Piercy (1995) as the promotion of a strategy or plan, or that proposed by Berry and Parasuraman (1991) as designing better job products to meet the needs of employees are not the focus of this research. It is possible that this model could be adapted for use in these cases but this has not been demonstrated.

The model described here also does not take into account the effects of informal communications and work flow through the organisation. There are almost certainly some informal pathways which exist within all organisations although the effect of these on the internal marketing and service quality measurements are not examined in this study.

The use of a single case based approach to this research, whilst having the advantages discussed earlier, prevents any generalisation of these results to the larger population. This study was centred around one organisation within the services sector and it is possible that there are differences in internal marketing application both between organisations within the

same industry sector and organisations in different industry sectors. As mentioned earlier in this paper the

service element attached to many tangible products can be substantial and further research should investigate the applicability of a model such as this in a manufacturing situation.

### *Further Research*

The testing of the modified internal customer model of internal marketing developed in this article and described indicates that this may be a useful approach to enhancing service quality. However as has been stated earlier the testing of this model is at its first stages and more extensive testing of the model is required. Qualitative research needs to be undertaken to establish the validity of the observations reported in this study and different companies in different sectors will need to be examined to establish if the model can be generalised to the population. Also those dimensions of internal service quality identified within this company will also have to be tested in different contexts to test if they are consistent within all companies.

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